

## COMMITTEE MEMORANDUM

TO: Members of the Finance & Economic Resiliency Committee

FROM: Jimmy L. Morales, City Manager

DATE: December 18, 2020

SUBJECT: **CITY'S DEPENDENCE ON TOURISM REVENUE**

### **Background**

This item was referred to the Finance & Economic Resiliency Committee (FERC) and the Budget Advisory Committee (BAC) at the June 24, 2020 City Commission meeting by Commissioner Samuelian. The purpose of the dual referral was to identify ways to lessen the City's dependence on tourism revenue given the recent impacts from COVID-19, hurricanes, Zika, and other economic shocks. Examples provided in the referral included:

- Identifying and growing new revenue streams
- Recruiting new businesses
- Transforming one-time funds into recurring revenue
- Increasing reserves
- Insuring our tourism revenues (e.g. parametric insurance)
- Cost reductions

The item was heard by the BAC at their September 15<sup>th</sup> meeting. The BAC was generally supportive of the various initiatives and would appreciate the opportunity to weigh-in on specific opportunities, especially those identified by Spectra, the City's sponsorship and naming rights consultant, as they move forward for consideration by the City Commission.

This item was heard at FERC on October 23, 2020 and the initial presentation provided a general overview of various initiatives. The Committee's comments included the importance of increasing commercial Class A office space, within hospitality further embracing arts and culture, supporting programs encouraging working virtually from Miami Beach, and focusing on economic development. The Committee's direction was to come back on a monthly basis to hear presentations by the lead departments regarding progress towards specific initiatives. In November, the FERC focused on a presentation from Spectra regarding potential sponsorships and naming rights. At this meeting, the focus of the presentation will be regarding business attraction and retention by Economic Development.

### **Analysis**

The City of Miami Beach is highly dependent on the tourism and hospitality industry. According to the Beacon Council, about half of the jobs in Miami Beach are in the Accommodation and Food Services industry. In terms of the City's budget, Resort Taxes comprise \$88 million or 13% of the total budget and 10% of revenue in the General Fund. In the Parking Fund, visitors account for 80% of parking demand.

The City is making progress on several initiatives to lessen the City's dependence on tourism revenue. Below is a list of items along with the latest update regarding each effort.

**IDENTIFYING AND GROWING NEW REVENUE STREAMS****Initiative: Identify sponsorships and naming rights opportunities****Department: Communications & Marketing**

On July 29, 2020 the City Commission approved Spectra Partnerships as the City's new sponsorship and naming rights consultant. The City has historically had a full-time position that sold, fulfilled, and managed all sponsorship, advertising, and other revenue generating opportunities for the City yielding over \$1 million in revenue each year. Under the new structure, the in-house position has been eliminated and Spectra will manage all sponsorships and naming rights for the City and have a dedicated individual to handle the existing work as well as new opportunities. As individual sponsorship or naming rights opportunities are identified, they will be brought to the City Commission for consideration.

The contract term is 5 years with 3 one-year optional renewals. As requested by Commission, in the event that Spectra fails to negotiate a naming rights deal for the Miami Beach Convention Center, that is approved within 24 months from the effective date of the contract, the contract can be terminated. Spectra will be compensated using a commission structure as follows:

Revenue Generated Under a Naming Rights Agreement	
Annual Revenue	Percentage due to Spectra
\$0 through \$700,000	10.0%
\$700,001, through \$900,000	12.5%
\$900,001 through \$1,500,000	15.0%
\$1,500,001 or more	17.5%
Revenue Generated Under Commercial Rights Agreement	
Annual Revenue	Percentage due to Spectra
\$0 through \$200,000	50%
\$200,001, through \$1,000,000	18%
\$1,000,001 or more	22%
Revenue Generated on Upsell Revenue	
Upsell Revenue	Percentage due to Spectra
All	20%
\$1,000,001 or more	22%
Revenue Generated under Coca-Cola Agreement	
Revenue	Percentage due to Spectra
All	5%

At the FERC meeting on November 13, 2020, Spectra provided an update regarding its activities to date. Since then, Spectra has extended an offer to a candidate for their sponsorship role that will focus on Miami Beach, solely. They anticipate having the person fully onboard by the start of the new year. The candidate has extensive sponsorship experience, including selling sponsorship for a public organization. Once the position is filled, the Marketing & Communications Department will schedule one-on-one meetings with each Commissioner.

Additionally, Spectra has been working with Coca-Cola to mitigate possible challenges in reaching our annual purchase amount that is required to receive our annual sponsorship check per the contract. They are also beginning conversations with them on what a possible contract renewal would look like and are also in discussions with some other beverage companies for possible replacement if we did not move forward with another contract with Coke. As a reminder, the Coca Cola agreement expires at the end of 2021. In parallel with the beverage sponsorship discussion, Spectra has begun conversations with potential sponsors for events including March programming, Veterans Day and July 4, 2021. All estimated at six-figure packages.

Spectra has also begun the marketing campaign to sell naming rights to the Miami Beach Convention Center and anticipate having more interest in this as we get through the pandemic, and better able to promote the events and programs that would be held at the MBCC, including the return of Art Basel.

**Initiative: Maximize value of City-owned assets**

**Department: Property Management**

The Property Management Department is working hard to maximize the value of City-owned assets across our real estate portfolio. Various initiatives are being pursued such as developing better standards, CPI adjustments to our lessors, generating additional revenue, and working with Economic Development to evaluate potential real estate deals. To facilitate these efforts, CBRE was recently engaged to conduct an inventory review which should be ready by the end of the calendar year.

CBRE is currently reviewing approximately 380 parcels. This inventory review will organize the data and provide the city with the following:

1. A complete description of the asset including acreage, and any structures on the property.
2. Zoning of existing property and potential zoning changes to generate additional revenues.
3. Suitability of sale and development opportunities.
4. Any potential discrepancies between the City's existing inventory file and the research CBRE will provide.

This inventory will allow the City to identify and maximize opportunities and provide decision making data for the best and most suitable use for city-owned property.

**FURTHER DIVERSIFY WITHIN TOURISM**

**Initiative: Attracting remote workers**

**Department: Tourism & Culture**

The hospitality industry has been dramatically affected by the impacts from COVID-19. A key opportunity during this time is to attract people from urban areas and cooler climates to work and/or learn remotely from Miami Beach. The Miami Beach Visitor and Convention Authority (VCA) and the Greater Miami Convention & Visitors Bureau (GMCVB) have been at the forefront of this trend and have created campaigns for Miami Beach and Miami, including the VCA "My Miami Beach, Your Escape" campaign and the GMCVB "Play, Work & Learn Remotely in Miami" program. These programs have been in place, in response to COVID-19, since August and the GMCVB program currently has 22 participating hotels in Miami Beach offering specials that are geared towards working remotely and going to school remotely such as:

- Pool side working stations,
- Zoom lighting locations within the hotel,
- Power lunch meals,
- Hair/makeup options for virtual meetings,
- Spa treatments between meetings,
- "After school" day camp services provided by the hotel,
- Lunch/snacks/meals for kids,
- Onsite or access to private tutor,
- Free WIFI.

Most of the packages ran through the Fall and hotels are extending the offer, as tourism recovers in the first quarter of 2021. The GMCVB program has been featured in several articles including:

- Timeout <https://www.timeout.com/miami/news/these-miami-hotels-are-renting-out-their-rooms-as-private-offices-for-the-day-101520>
- The Miami Times: [https://www.miamitimesonline.com/lifestyles/entertainment/mix-business-with-pleasure-in-the-305/article\\_5d788802-18cc-11eb-a985-8b5a67044016.html](https://www.miamitimesonline.com/lifestyles/entertainment/mix-business-with-pleasure-in-the-305/article_5d788802-18cc-11eb-a985-8b5a67044016.html)

The GMCVB *Miami Shines* campaign is heavily promoted during the winter in key feeder markets across the U.S. including New York, Boston, Philadelphia, Chicago, and Washington D.C. Likewise, GMCVB extended its annual and beloved *Miami Spice*, *Miami Spa* and *Museum & Attractions* months to months which complement *Miami Shines* and enhances reopening efforts. The VCA's "My Miami Beach, Your Escape" campaign is being promoted to the Miami Beach drive market.

More information on both programs can be found on the following websites:

- GMCVB program: <https://www.miamiandbeaches.com/offers/work-and-learn-remote-packages>
- VCA campaign: <https://www.miamibeachvca.com/newsroom/news/miami-beach-unveils-my-miami-beach-your-escape-campaign-featuring-local-photographers-to-showcase-the-lure-of-the-destination.stml>

Additionally, the GMCVB promoted an incentive, "Practice Safe Sets", in partnership with Miami Beach hotels and the Miami Beach Convention Center to encourage the return of the film and industry to return and utilize our hospitality and convention assets as health and safety locations for productions. <https://www.miamiandbeaches.com/things-to-do/arts-culture/film/film-in-miami/practicesafesets>

**Initiative: Promoting arts, culture, and daytime activation**

**Department: Tourism & Culture**

Tourism, cultural and creative sectors are important to the economic footprint of City of Miami Beach. They spur innovation across our economy, as well as contribute to numerous other channels for positive social impact (wellbeing and health, education, inclusion, sustainability, etc.). Policies, programs and programming that support these sectors are not homogenous but must be holistically diverse to provide for short-term and long-term strategies that leverage the economic and social impacts of culture in our broader recovery plans and can potentially transform our economy.

To do so, we focus on (1) creating a strategic vision that holistically offers citywide, community and episodic cultural offerings that attract, retain and sustain our residents, businesses and visitors in the entertainment/Art Deco district and throughout the city that; (2) creating timelines that building upon a foundation and sets a path to slowly embed diverse and emerging art that reflects the past, present and future of the Miami Beach community; (3) leverage the contributions and input of our cultural organizations, community leadership and the special events industry; (4) identify "what" makes Miami Beach culturally unique; and (5) envision Miami Beach as an arts and culture destination not just in words, but in our programming, collections, people, businesses, events and character.

**We do this by:**

- Continuing activations with signature festivals and events, supplemented by the unexpected, surprising, multi-generational and multi-ethnic events. Expand the food culture and cuisine of the District. Take the art of food seriously.
- Continuing to develop private/public partnerships to create economic opportunity zones that encourage creative economy businesses to develop and locate in the arts district.
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**Leveraging our Cultural partners:**

- Friends of the Miami Dade Public Library
- Holocaust Memorial Committee
- Miami Design Preservation League
- Miami New Drama

- Jewish Museum of Florida-FIU
- Living Arts Trust (O-Cinema)
- Miami Beach Botanical Garden
- Miami Beach Film Society
- Miami Beach Urban Studios-FIU
- Miami City Ballet
- New World Symphony
- Oolite Arts
- The Rhythm Foundation
- University of Wynwood
- Wolfsonian-FIU
- The Bass Museum

### Art Week Miami Beach

Refining and cultivating a robust *Art Week Miami Beach* programming is a game changer this year. With the cancellation of Art Basel Miami Beach, Miami Beach outshined our neighbors with innovative, creative and unique programming that leveraged our cultural partners and hospitality community while providing COVID-19 responsible viewing for a new and improved season that included two (2) weeks to a month long engagements. All programming was in public spaces, family friendly, visible day and night and allowed for social distancing with healthy sanitation options.

The result garnered hundreds of new visitors to Art Week Miami Beach programming, hundreds of millions of social media impressions, notable articles from international media and an awareness of the robust art collection and creative community that lives and works in Miami Beach who are delivering interesting and though provoking work that is driving a new audience of art lovers outdoors to enjoy art again. <https://www.remiamibeach.com/citywide/a-different-art-week-miami-beach/>

<https://www.nytimes.com/2020/12/01/arts/miami-beach-outdoor-art.html>

- *Seven Deadly Sins* – socially distanced live theatrical event presented in seven (7) vacant storefronts by seven (7) notable playwrights about the seven deadly sins. [https://www.miamitimesonline.com/opinion/overcoming-the-eighth-deadly-sin-to-enjoy-seven/article\\_45fd3566-3a36-11eb-b28f-0fd42cb563fb.html](https://www.miamitimesonline.com/opinion/overcoming-the-eighth-deadly-sin-to-enjoy-seven/article_45fd3566-3a36-11eb-b28f-0fd42cb563fb.html)
- *Art Outside* – an iterative exhibition of contemporary public art throughout Miami Beach. <https://news.artnet.com/art-world/art-world-at-home-silvia-cubina-1926725>
- *No Vacancy* – ten (10) artists create ten (10) creative projects in ten (10) Miami Beach hotels. [https://www.miamitimesonline.com/opinion/overcoming-the-eighth-deadly-sin-to-enjoy-seven/article\\_45fd3566-3a36-11eb-b28f-0fd42cb563fb.html](https://www.miamitimesonline.com/opinion/overcoming-the-eighth-deadly-sin-to-enjoy-seven/article_45fd3566-3a36-11eb-b28f-0fd42cb563fb.html)
- *Legacy Program* – the 2<sup>nd</sup> annual collaboration with Art Basel to add to the Miami Beach public art collection resulted in the acquisition of a Sanford Biggers quilt titled “Somethin’ Close to Nothin’”. <https://www.theartnewspaper.com/news/miami-beach-public-votes-to-acquire-sanford-biggers-quilt-for-public-art-collection>
- *Art Week Miami Beach Shuttle* – the return of the shuttle allowed for our senior and physically challenged community to enjoy the programming.





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- Soundscape Cinema Series – returning for its 11<sup>th</sup> season, the free weekly series of family friendly movies begin with a November – May schedule complete with social distancing circles on the grass for healthy and fun viewing. <https://patch.com/florida/miamibeach/miami-beach-announces-new-season-free-films-under-stars>

### Sustainability Temporary/Permanent Installations:

A major permanent installation, *ReefLine*, an underwater public sculpture park that is designed to serve as a vibrant artificial reef, will open in December 2021 on the coast of Miami Beach. The first mile will be completed by December and the public art project will run seven miles long and will educate and entertain our residents and visitors on the importance of our coral populations and sustainability. <https://news.artnet.com/art-world/underwater-sculpture-park-miami-beach-1925582>

In addition, temporary installations, including, but not limited to the continuation of *Art Outside* by The Bass, murals on Washington Ave, curated painting of water tanks, amongst other ideas, large and small are being considered.



### Lummus Park Activations

HITT in the Park	Weekly
Holiday Entertainment	December
New Year Eve Entertainment	December/January
Instagramable Moment	January
MLK, Jr. Commemoration	January
Special Event	January
Music in the Park	Monthly
Sing A Long	Monthly
Theater in the Park	Monthly
Bubbleman / Storytelling / Tour the Park	Monthly
Painter/Painting in the Park	Monthly
Quiz Night	February
Special Event	February
Tai Chi / Meditation	Weekly
March 2021 Programming	March
Instagramable Moment – March 2021	March
Special Event	April
Special Event	June

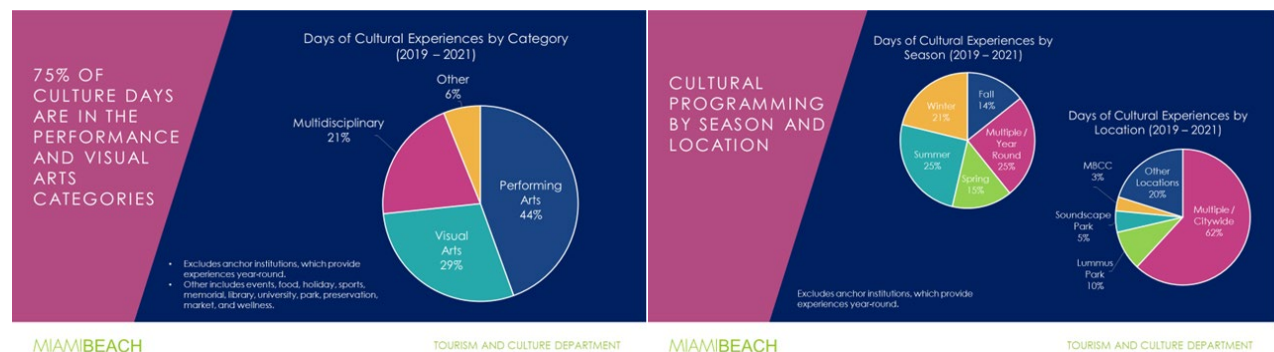
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Citywide Programming includes:

Culture Crawl	October - May
Soundscape Cinema Series	October - May
Artisanal and Produce Market	January - December
Art Week Miami Beach	December
New Year's Eve	December
MLK, Jr Commemoration	January
March 2021	March
Memorial Day Weekend	May
Juneteenth	June
July 4th Celebration	July
Hall of Fame Induction Ceremony	TBD



### Miami Beach Open House

Investing in the revitalization of our commercial corridors with an experimental cultural artist residency within vacant storefronts and spaces has provided a platform to celebrate our artistic and cultural communities and leveraging the opportunity to fill and energize empty commercial spaces that are blighting our neighborhood. By offering a stipend of \$2500 to 71 artists (more than 300 applicants), the program allows the artists a space to engage with the community, build networks and share their work and creative thinking. The pilot will be realized in the new year and offers a bridge for both artisans and commercial owners a platform to showcase their assets and the program stimulates our corridors and unites our residents and business with art and activity.

## RECRUITING NEW BUSINESS

**Initiative: Enhance business recruitment and retention**

**Department: Economic Development**

### **Business Retention and Attraction**

The City of Miami Beach's Economic Development Department (EDD) is dedicated to fostering a robust economy that stimulates balanced growth by connecting business, community, people and jobs through business assistance and resources, corridor development/ redevelopment, real estate, and creating a diverse economy for this dynamic and resilient community. Economic Development's goal is to establish, grow and diversify the city's business community by promoting the city's image and assets, supporting businesses, encouraging real estate development, and creating a diverse economy for this dynamic and resilient global community.

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### Business Climate

The financial stability of the City of Miami Beach is impacted by various factors including the business climate. The business climate is defined by a collection of economic and environmental indicators including but not limited to labor force, number and variety of business establishments, jobs, population, unemployment, gross domestic product (GDP), labor and building costs, median income, cost of living, household type and size, dwelling units and type, homeownership rates, and housing costs. The October 2019 Economic Conditions Report ([attachment A](#)) and the Spring 2020 Business of the Beach report ([attachment B](#)) provide a snapshot of the economic and business climate pre-COVID 19. The business climate was relatively healthy with indicators as follows:

#### Population

Permanent Residents	Median Age	Under 18	Over 65	Hispanic Origin	Households
92,136	42.6	13.0%	19.3%	60.7%	48,823

#### Population and Household Distribution

	North Beach	Middle Beach	South Beach
Population Distribution	38%	22%	40%
Household Distribution	34%	20%	46%

#### Income

Median Household Income	Average Household Size	Median Family Income	Average Family Size	Poverty Rates		
				North Beach	Middle Beach	South Beach
92,136	42.6	13.0%	19.3%	20.1%	9.9%	15.7%

#### Labor

Unemployment Rate	Resident Workforce	Local Jobs	Non-resident Workers
2.6%	58,300	65,402	32,330

It is important to note that over 35 percent of total employment in the City of Miami Beach is attributed to jobs in the arts, entertainment, food services and accommodations industries. By comparison, these industries account for less than 15 percent of total employment in Miami-Dade County. In 2018, industries like manufacturing, finance and insurance, healthcare, and information accounted for less than 10 percent of industry share of employment in the city. The importance of the hospitality and tourism industries to the Miami Beach business environment is undisputable. The scale of these industries is no doubt bolstered by the assets and brand of the city which includes an urban beach, tropical climate, diverse population, and cultural infrastructure. These industries are directly and indirectly supported by the City in many ways including but not limited to capital investments, grants and subsidies, zoning overlay districts, public safety, sanitation and programming to foster entertainment, cultural experiences, leisure and recreation. These industries also generate significant revenue for the city and have a broad economic impact.

It is imperative that the city continue to embrace, support and enhance the hospitality and tourism industries. However, the need to diversify the economy has become an evident and necessary component for the resiliency of the city. The overwhelming dependency on this industry can have a crippling effect on the city with the increasing regularity of adverse environmental variables. The instability of the current economic environment makes it difficult to make long-term projections. The viability of businesses can shift from one week to the next. Vacancy and market rates for housing and commercial spaces continue to fluctuate. Retail and office vacancy have increased over the past several months.



## **BUSINESS RETENTION/EXPANSION**

The economic development strategy is recommended to include short-term and long-term approaches and tactics. Short-term activities offer flexibility in uncertain times and allow for swift repositioning as needed. Long-term strategies supported by incremental and consistent activities can yield significant gains in a more deliberate way. At this time, the primary economic development activity of the city should be business retention with a focus on small businesses (fewer than 5 employees) which account for roughly 70 percent of all businesses in the city.

Investments in business retention are traditionally more productive than business attraction. Up to 80% of net new jobs and capital investment in any economy are generated by existing firms. As of November 2020, the city records about 9,500 business tax receipts associated with about 7,100 establishments. According to the most recent City of Miami Beach Community Satisfaction Survey, roughly 60 percent of businesses would definitely or probably recommend the City of Miami Beach to others as a place to run a business, reflecting a 12 percent decline since 2016. The perception of existing business owners has an impact on the ability to attract future business owners, therefore business retention and engagement is vital.

By December 2020 as Business Tax Receipt (BTR) renewals come due, it will be critical to note which categories of business types/uses increase or decrease. This information will guide business retention (and attraction) efforts. With the impacts of COVID-19 still evolving, the Administration continues to provide resources, services and programs to facilitate the stabilization and retention of businesses and promote quality of life. These include:

- Business Tax Receipt (payment extension and payment plan);
- The Resource Center;
- Consistent engagement with business leaders, Business Improvement Districts/business groups/associations;
- Small Business Assistance Grants;
- Restaurant Reimbursement Grant;
- Rental Assistance and Food Distribution (to support workforce);
- Restaurant Expansion Outdoor Seating Pilot Program;
- Parklet and parking accommodations;
- Temporary transportation and mobility pilot programs;
- Online building permitting;
- Communications, marketing and public information;
- Consumer Confidence/Health Resources (MB Standard Program, Race to the Trace with Dept. of Health); and
- Enhanced public safety and enforcement

In addition to these ongoing resources, the Economic Development Department will provide new resources and support in an effort to retain and expand businesses. These resources will include:

- Technical assistance and capacity building (entrepreneur and business development);
- Business concierge services for small businesses;
- Site selection/location assistance;
- Welcome letters and packages for new businesses;
- Small Business Weekend promotions; and
- Business visits and canvassing.

In the long-term, funding for the establishment of programs and grants may include:

- Workforce development through partnership with academic institutions and trade groups;

- Commercial property or tenant improvement programs;
- BTR fee reduction; and
- Legacy Business grants and rebates.

### **BUSINESS ATTRACTION/RECRUITMENT**

Business attraction for the City of Miami Beach has not and will not occur in a vacuum or only through the efforts of the City of Miami Beach. Organic business attraction materializes through visitor experiences, media, word of mouth and favorable market conditions. The City of Miami Beach already has a competitive advantage considering location and proximity to Central America/South America/Caribbean, climate, State of Florida tax advantages and a largely positive brand image. Intentional investments in arts and culture, public assets, infrastructure, resiliency, public safety and marketing will serve to complement and catalyze organic business attraction.

#### Long-range High-level Targets

The Miami-Dade Beacon Council is the official economic development organization for Miami-Dade County. The Council was founded in 1985 to focus on business recruitment, expansion and retention for the entire county. The Beacon Council concentrates on strengthening industry sectors like aviation, banking and finance, creative design, life sciences and healthcare, technology, trade and logistics. These sectors have not traditionally been emphasized as part of the City of Miami Beach's economic development efforts. It stands to reason that if the Beacon Council is utilizing resources to grow, attract and recruit these industries, that the city should align to leverage these resources and efforts for the benefit of the city.

While retail, hospitality and tourism will not shift as core sectors, it behooves the City to make efforts to recruit and attract businesses in the financial services, technology and healthcare sectors. These targets are more attainable as there is already a presence of these industry sectors within the city. Business attraction efforts will build on Starwood Capital, Wix.com, Mount Sinai Medical Center and others that currently call the City of Miami Beach home. As these existing businesses draw interest from other businesses in their sectors, Miami Beach can become a hub. These businesses can attract supporting and related businesses. For example, a healthcare institution like Mount Sinai could attract a biomedical manufacturing firm. These targets will be recruited through the following proposed methods:

- Tradeshows/industry marketing events
- Recruitment visits (including with the Beacon Council)
- Contact and coordination with national site selectors and advance teams
- Development and circulation of marketing collateral (pitch deck, ads)
- Promotion of relocation assistance programs and incentives – Dept. of Economic Opportunity, Enterprise Florida, Miami-Dade County
- Development of job creation incentive
- Expedited licensing and permitting (with investment/job creation threshold)
- Relocation concierge services (insights and coordination related to schools, housing, etc.)

Efforts to recruit these types of businesses will require consistent efforts over a long time period. Relocations of large businesses often take several months to years to materialize and are influenced by variables including space availability, housing options, talent pool and financial incentives that are available. Other incentives for current and future businesses could include Commercial Lease Subsidy and Relocation Assistance.

#### Experiential Retail

- Although a reliance on retail is not advised, any efforts to attract retail should focus on experiential and artisanal retail (activity-based, interactive spaces that are attractive to a variety of age groups and demographics) are desirable to fill retail voids throughout the major commercial corridors.

#### Class A Office Development

- Creating a pipeline for Class A Office Development is crucial for attracting businesses that will diversify the economy. The Administration has already advertised a Request for Letters of Interest for Class A Office Development on parking lots on Lincoln Lane and has recommended a height increase for targeted areas on Alton Road. The RFLI could be followed by a Request for Proposals at the direction of the City Commission. There may also be opportunities in other areas of the city as identified through the forthcoming asset inventory.

#### Branding and Marketing

- Along with stakeholders and partners, the Administration will engage in branding efforts to include a focus on economic development. By emphasizing city resources, the business climate and efforts to promote business growth, the branding initiative will communicate that the city is open for business and is home to top tier talent.

#### North Beach CRA

- The creation of the North Beach Community Redevelopment Agency (NBCRA) will join the City Center CRA/RDA in utilizing tax increment financing to encourage economic growth and enhanced quality of life. Planning for the CRA will include strategies for the improvement of the West Lots, Town Center and Normandy Fountain areas among others. CRA creation will add new revenue from Miami-Dade County and spur business attraction (and retention) in North Beach.

#### City-owned Assets

- The Economic Development Department will partner with the Property Management Department to align economic development goals with city-owned assets. All upcoming leases will be aligned with targeted businesses and industries, including to some degree an enhanced/elevated tourism and hospitality industry. City-owned spaces will be leased to businesses that will help to diversify the economy of the city. As CBRE completes a citywide asset inventory, the Administration will look at measures to leverage these assets for economic growth and long-term financial stability.

#### Zoning Regulations

- Zoning regulations are a key factor in business attraction. The Economic Development Department will partner with the Planning Department to identify opportunities for zoning changes that will attract business. This will include targeted F.A.R. and height increases for Class A Office and hotels.

#### Quality of Life

- Vibrant placemaking initiatives, public safety, enhanced recreation and affordable housing stock will attract businesses. Investments in these elements should continue to be promoted.

**Initiative: Incentivize development of Class "A" office space**

**Department: Planning & Economic Development**

There is currently approximately 940,000 square feet of Class A office space in Miami Beach. When Starwood Capital Group moves into its new space at 2340 Collins Avenue in Q3 of 2021, it will free up 120,000 square feet in its existing space on 1601 Washington Avenue and make available 50,000 square feet in the new building as well for a total of 170,000 square feet or approximately 12% of total Class A office space inventory in the city.

On October 9, 2020, the City issued a Request for Letters of Interest (RFLI) seeking expressions of interest in developing Class A office space on Lincoln Lane North. At the direction of the City Commission and in accordance with CBRE's October 2020 Office Market Overview, the Administration has prepared and released the RFLI seeking expressions of interest from developers that may be interested in developing Class A office space on any or all of the three largest parking lots adjacent to Lincoln Road, which include P25, P26 and P27. The benefit of the RFLI is that it will allow the City Commission to determine if there is interest from the development market to build Class A office space on any of these lots. Only expressions of interest are being requested at this time in order to allow the City Commission to gauge the level of market interest in developing any of the referenced lots. The RFLI specifically asks interested parties not to submit offers or proposals. If market interest in developing Class A office space on these lots exists as determined by the City's receipt of expressions of interest, the City Commission may consider issuing a future Request for Proposals (RFP) seeking formal detailed proposals from interested parties. A formal RFP would be required to seek development proposals as any development on these lots would require approval of a referendum by the voters. Further, following the receipt of expressions of interest, the Administration may hold industry meetings with any party expressing preliminary interest to discuss any questions or concerns prior to issuing an RFP that would be subject to the cone of silence rules. The information that can be received from the RFLI and the industry meetings will assure the City Commission and Administration that the RFP is developed in a way that promotes the City's best interest while maximizing the benefit the City may receive from development of these lots. The RFLI was issued on Friday, October 9, 2020 and letters of interest are due to the Procurement Department by January 11, 2021.

There is currently an item that was heard at the September 22<sup>nd</sup>, 2020 Land Use and Sustainability Committee meeting to help incentivize the development of office space, which is traditionally less volatile than hotels or hospitality businesses to economic shocks. The proposal includes height increases in strategic commercial areas to incentivize office uses. The initial draft ordinance proposed an increase in allowable building height for mixed-use commercial buildings containing a minimum of 10,000 square feet of office area. The ordinance was modified to set a minimum threshold of 0.30 FAR in order to qualify for increased height. Additionally, a maximum height of 75 feet was proposed in all of the applicable districts. The following is a summary of the specific commercial areas of the City that were originally proposed for the increase in height:

1. Sunset Harbor Area CD-2 District: Increase from 50 feet to 75 feet.
2. Alton Road CD-2 District: Increase from 50 feet and 60 feet to 75 feet
3. Sunset Harbor and Terminal Island I-1 District: Increase from 40 feet to 75 feet.
4. Fifth Street Area CPS-2 District: Increase from 50 feet to 75 feet east of Lenox Avenue and west of Washington Avenue.

The proposed increase in height would allow for the expanded interior floor to ceiling space being sought by office users and office developers. From a practical standpoint, when parking and mixed-use pedestals are included, the current height limitations in the aforementioned areas limit the interior ceiling heights for all uses. Additionally, the aforementioned areas of the City are along dedicated transit corridors and have access to public parking facilities.

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The proposal would apply to limited, strategic areas and would help diversify the City's economy, and is consistent with the concept of transit-oriented development, which is ideal for the identified areas. This is an important point because the City's long-term mobility plan places considerably more emphasis on transit. In turn, this will likely result in less of a need for onsite vehicular storage in the future, which would equate to a reduction in overall building height.

Due to concerns with adjacent historic districts, the Fifth Street area was removed from consideration. The LUSC moved the item to the full City Commission in accordance with the following:

1. A recommendation in favor of the proposal for a height increase applying to Terminal Island;
2. No recommendation on the areas fronting the west side of Alton Road from 5<sup>th</sup> Street to Collins Canal;
3. No recommendation on Sunset Harbor.

The LUSC also recommended that the full City Commission consider the following in its discussion on the matter:

1. Requiring visual images and massing studies for the larger areas affected by the proposal, and not just the specific properties seeking the change;
2. Potential quality of life and community/public benefits;
3. Consider a sunset provision for the proposal;
4. Requirements for neighborhood uses and activation at the first level of the building;
5. The inclusion of North Beach in the scope of the ordinance.

On October 14, 2020, the City Commission discussed the referral of an ordinance to the Planning Board pertaining to strategic increases in building height to incentivize office uses (item C4G), and took the following action:

1. Referred the Terminal Island and Alton Road portions of the proposal to the Planning Board.
2. Continued the Sunset Harbor portion of the referral to the November 18, 2020 City Commission meeting for further discussion and consideration.

On November 17, 2020 the Planning Board transmitted an ordinance specific to strategic height increases for offices on Terminal Island and Alton Road to the City Commission with a favorable recommendation. On December 9, 2020, the City Commission approved the subject ordinance at first reading for Terminal Island and scheduled second reading / adoption for January 13, 2021. The City Commission referred the Alton Road portion of the proposal back to the Land Use and Sustainability Committee for further discussion.

On November 18, 2020 the City Commission continued the proposed referral pertaining to office height increases for Sunset Harbor to December 9, 2020. On December 9, 2020 the City Commission referred a draft ordinance for an office height increase affecting a single block area in Sunset Harbor to the Planning Board. The Planning Board is scheduled to consider this ordinance at their January 26, 2021 meeting.

## TRANSFORMING ONE-TIME FUNDS INTO RECURRING REVENUE

**Initiative:** New recurring revenue from Convention Center Hotel

**Department:** City Manager's Office

On November 6, 2018, voters approved a development and ground lease agreement for the construction and operation of a new 800-room Convention Center hotel and related facilities. The agreement included guaranteed rent payments of \$2 million per year and additional rent over and above that amount based on a formula in the agreement. When the hotel is built, the guaranteed rent payments of \$2 million will provide new recurring funding that is dedicated equally between:

- Stormwater projects

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- Traffic reduction measures
- Education initiatives

To illustrate the proposed use of these funds, in Year 5, the Hotel's guaranteed rent to the City is fixed at \$2 million. However, in Year 5, the City anticipates it will receive \$2.6 million in total Hotel rent payments, based on the percentage rent due to the City under the Hotel leases. Accordingly, the City would dedicate \$2 million in Year 5 in equal portions of \$666,666.66 for stormwater projects, traffic reduction measures, and education. Any rent payments received in Year 5 in excess of the \$2 million guaranteed rent would be used to support other public programs or projects, as part of the City General Fund.

Given the current uncertain economic conditions in the hospitality industry and the financial markets, however, we do not know as of today when construction of the hotel will commence and, therefore, when the hotel will open for business.

**Initiative: Enhance one-time and recurring revenue from Marina Park project**

**Department: City Manager's Office**

On November 3, 2020 residents voted on 3 referendums related to the Marina Park project. The proposed transaction was intended to maximize the performance of the Miami Beach Marina and upgrade its facilities, enhance the neighborhood through neighborhood-oriented commercial and retail spaces, improve resiliency with capital improvements focused on sustainability, provide a park with additional public green space in the city, and generate substantial lease and other revenues for the City.

Voters approved a lease of City property for operation of the marina as well as the proposed use of \$55 million from sale of City property for the project, but did not approve the sale of City property and air rights for the project. As a result, the Marina Park project will not move forward since approval of the sale of City property and the air rights question was needed to make the project happen.

As opportunities arise as part of development agreements or Private Party Partnerships (P3's) the City will continue to look at creating or increase recurring revenue streams.

## INCREASE RESILIENCY OF CITY'S FINANCES

**Initiative: Increase reserves to be more resilient to economic shocks**

**Department: Office of Management & Budget**

During 2019, the City Commission approved changes to the reserve policies for the Resort Tax Fund and the General Fund. Both of these changes were endorsed by the Budget Advisory Committee.

The Resort Tax Fund reserve policy was increased from a goal of 3 months (2 month requirement) to a goal of 6 months (required amount would begin with 2 months and increase over time as a moving floor until it reaches 6 months). The Resort Tax Fund reserve at the beginning of FY 2020 was \$15.2 million or 3 months.

The General Fund reserve policy was increased from a goal of 2 months or 17% (11% requirement with additional 6% goal) to a goal of 3 months or 25% (17% requirement with an additional 8% goal). The General Fund reserve at the beginning of FY 2020 was \$80.6 million or 23%.

As part of managing the negative financial impact from COVID-19, the City is planning the following use of reserves:



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	General Fund Reserve Amount	Resort Tax Reserve Amount
Current Reserve	\$80.6 million	\$15.2 million
Use of Reserve in FY 2020	(\$0.3 million)	(\$5.0 million)
Use of Reserve in FY 2021	(\$9.6 million)	0
<b>Remaining Reserve</b>	<b>\$70.7 million</b>	<b>\$10.2 million</b>

Note: use of reserves does not include COVID-19 related expenses that are considered reimbursable

These amounts preserve strong reserve levels for hurricane season and next budget cycle. In addition, given the uncertainty regarding the pace of recovery for Resort Tax revenue, it may be necessary to use more of the General Fund reserve than originally planned. An update to the Resort Tax projections is planned in January/February following the close of the first quarter.

Miami-Dade County has received an allocation from the Coronavirus Relief Fund under the CARES Act and the City has executed an interlocal agreement with the County. As of December 7<sup>th</sup> the City has submitted approximately \$51.4 million of year-to-date expenditures for potential reimbursement and received \$7.25 million. The Administration recommends that any funds that are received would be used to cover any reserve amounts used to balance the budget (General Fund and Resort Tax Fund), currently \$17.4 million, due to shortfalls from the economic impact of COVID-19.

If the Marina Park project had been approved by the voters in November 2020, additional one-time funds could be allocated to offset the planned use of reserves and/or allocate additional funds towards the achievement of the General Fund and Resort Tax Fund reserve policies.

### **Initiative: Enhance resiliency of Resort Tax revenues**

#### **Department: Office of Management & Budget**

As recommended by the Mayor's Blue Ribbon Emergency Response Committee, in 2017 and 2018 the City researched the possibility of purchasing parametric insurance to insure the City's tourism revenues, which has not been done in the U.S. before. After evaluating the cost of a premium based for different parametric triggers, staff found that the potential payouts did not make economic sense based on historical data. The analysis showed that resort taxes were surprisingly resilient in that most shocks only resulted in one year of impact before rebounding to normal levels. As a result, the Administration recommended, with the support of the Budget Advisory Committee, to change the Resort Tax Reserve to increase reserves from a goal of 3 months (2 month requirement) to a goal of 6 months (required amount would begin with 2 months and increase over time as a moving floor until it reaches 6 months). Staff continues to monitor parametric insurance opportunities in case that option becomes more attractive in the future.

### **Initiative: Continually review cost structure of City departments**

#### **Department: Office of Management & Budget**

As part of the FY 2021 budget process, the Parking enforcement function is being right-sized to be more resilient to future shocks. Currently parking enforcement is comprised of 33 full-time positions and 31 part-time positions. The demand for parking enforcement can vary considerably due to high impact events like Art Basel, the Super Bowl, and the NCAA National Football Championship and economic shocks like hurricanes, Zika, and COVID-19. Due to the fixed costs of the current parking enforcement model, it is difficult to reduce costs in a downturn and expensive to increase service for a high impact event. The proposed model would convert 16 full-time positions to part-time positions and eliminate 13 part-time positions for a total of 34. This change is projected to save \$0.5 million annually.

Currently the Sanitation department provides services to the Parking Department. As part of other

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cost saving measures, the Parking Department will be cutting back on services and transitioning to a private service provider. This change is resulting in a \$1.5 million loss of revenue to the Sanitation Department. To date, the Sanitation Department has identified \$1.2 million of cost savings, but there remains at least a \$300,000 gap. Over the next few months, the Sanitation Department is actively evaluating various cost-saving ideas. The Budget Advisory Committee has expressed interest in helping identify and vet the cost-saving ideas and reviewed the item at their meeting on November 17, 2020.

In advance of the FY 2022 budget process, the Administration will continue to evaluate cost-saving measures across the organization to help address the continuing financial impacts of COVID-19 and help close the anticipated budget gap next year.

### **Conclusion**

The Administration will continue to pursue various initiatives to reduce the City's dependence on tourism revenue and each item will be evaluated through applicable Commission Committees for full consideration by the City Commission.

### **Attachments**

Attachment A – October 2019 Economic Conditions Report

Attachment B – Spring 2020 Business on the Beach

JLM/JW